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C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 005055

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NEA FOR FRONT OFFICE; NEA/IPA FOR  
WILLIAMS/SHAMPAINE/STEINGER; NSC FOR ABRAMS/DORAN/WATERS;  
TREASURY FOR SZUBIN/LOEFFLER/NUGENT/HIRSON; COMMERCE FOR  
ITA/MAC/JDERSTINE

E.O. 12958: DECL: 12/28/2016

TAGS: ECON EFIN ETRD PGOV KWBG IS

SUBJECT: PALESTINIAN IT COMPANIES SAY RESTRICTIONS ON U.S.  
IMPORTS BENEFITING ISRAELI FIRMS

REF: JERUSALEM 4807

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d).

¶1. (U) This cable has been cleared by FCS Tel Aviv.

¶2. (C) Summary. West Bank-based representatives of U.S. companies complain that Israeli restrictions on IT products entering the West Bank and Gaza result in significant delays and high transportation costs. Identical products offered by Israeli agents of U.S. firms are available more quickly and at lower prices. Palestinian agents of U.S. companies assert that they are losing business to their Israeli counterparts. While noting some success on a case-by-case basis in freeing up delayed U.S. shipments, Palestinian businessmen say that in recent months onward shipment of these and other goods to Gaza has become virtually impossible, thus obliging their customers there to purchase from Israeli vendors. End Summary.

¶2. (SBU) In response to complaints heard during a visit to ExpoTech 2006 in November (reftel), Econ Chief, Econoff and Tel Aviv FCS Acting Chief met December 5 with Palestinian IT companies, including several representing U.S. firms, to discuss difficulties they are facing when attempting to import U.S. products. The Palestinian IT Association of Companies (PITA) hosted the meeting.

Palestinian Importers Face Delays

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¶3. (C) Products such as routers and devices equipped with modems are held by Israeli authorities for as long as eight months, according to the Palestinian representatives of several U.S. IT companies, including HP, Microsoft, Dell, IBM, and Cisco. Delays begin at Ben Gurion airport where officials charged with inspecting imports hold the goods for extended periods. Hazem Eideh, a logistics manager for the local IT firm SAFAD -- the West Bank/Gaza agent for Cisco -- stated that 70 percent of Cisco shipments are seized and held for between 40-60 days on average. After the goods pass inspection, MATAK offices in Beit El in the West Bank must approve entry through Israel-West Bank crossings. Securing this approval can take months. Eideh said that no reason is usually given for any delay. Companies waiting for their goods to be cleared are instructed not to inquire about the status of their shipments until at least forty days after a clearance request has been submitted. The response time may be somewhat better if the Palestinian company has a contact

at Beit El to assist or a sympathetic IDF officer is handling the case, according to the PITA members. PITA members allege that Israeli companies exporting the same types of products to the West Bank do not always apply for MATAK approval and when they do their requests are handled more expeditiously. PITA board member Maher Al-Shalabi claimed that there appear to be two sets of importation procedures: one for Palestinians and another for Israelis.

#### Sales Going to Israeli Companies

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¶4. (C) PITA Executive Director Safa Abdel Raman said that Israeli agents have a distinct advantage over their Palestinian counterparts whether importing goods into Gaza or the West Bank. Transportation costs are driving up the prices of goods imported by Palestinian companies, and preferential treatment at checkpoints and crossings have allowed Israeli companies to meet delivery dates that Palestinians firms cannot. PITA Chairman Jamil Daher noted that Palestinian companies are required to pay storage fees while their goods await inspection and clearance, thus hurting any competitive edge by driving up costs. Daher asserted that in recent months Israeli representatives of U.S. firms have contacted their Palestinian counterparts and offered to handle the importation of certain U.S. products destined for the West Bank and Gaza. Software company head Michael Younes charged that some Israeli companies have approached U.S. partner companies and Palestinian customers directly with an offer to facilitate shipment of goods to the West Bank and Gaza without any involvement from the current Palestinian agent. Although Palestinian agents are pressing their U.S. partners on the matter, Daher acknowledges that, due to lower prices and greater reliability, an increasing

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number of Palestinian customers are opting to deal directly with Israeli firms. In some cases, a non-U.S. product is substituted, according to several PITA members.

#### Gaza: A Lost Market

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¶5. (C) PITA members asserted that that due to closures, reduced throughput at the Karni/al-Mintar crossing and staggering transport costs, Gaza can no longer be considered a reliable market for their products. HP and Cisco agent Eideh said that an Israeli shipping company recently quoted him a fee of NIS 20,000 (USD 4,762) to transport one truckload of goods from Ramallah to Gaza. Given such high transportation costs and unpredictability in meeting delivery due dates, West Bank companies are finding it difficult to satisfy customers and maintain offices in Gaza.

#### Progress on Some U.S. Cases

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¶6. (C) BCI CEO Said Baransi praised Tel Aviv FCS efforts to raise specific cases of delayed U.S. goods with Israeli authorities. He suggested that on a case-by-case basis the Israelis have become more responsive, at least when U.S. products are involved. He asked that the USG expand its efforts to include the free flow of all goods into and out of the West Bank and Gaza. EconChief noted that the USG continues to promote greater adherence to the November 2005 Access and Movement Agreement (AMA) and the elimination of non-tariff barriers to trade. FCS Acting Chief urged PITA members to continue providing information on delayed U.S. shipments.

WALLES